

ASSEMBLY BILL

No. 2568

Introduced by Assembly Member Houston

February 22, 2008

An act to amend Section 205.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2568, as introduced, Houston. Property tax exemption: principal residence: veterans and their unmarried surviving spouses.

The California Constitution authorizes an exemption from property taxation for the home for a person, a person's spouse, and the unmarried surviving spouse of a person who has, as a result of a service-connected disease or injury, either become disabled, become disabled and died, or died while on active duty in military service, as specified. Existing property tax law specifies an exemption amount of \$100,000, but increases that amount to \$150,000, if the exemption claimant's income does not exceed \$40,000 as adjusted by a specified inflation factor.

This bill would, beginning with the lien date for the 2009–10 fiscal year, delete these exemption amounts and income thresholds to instead fully exempt from property taxation the principal residence, as specified, of a disabled veteran, as specified, the veteran's spouse, and the unmarried surviving spouse of a disabled veteran and a veteran who died while on active duty as a result of a service-connected disease or injury, as specified. This bill would also correct an erroneous cross-reference in these provisions and clarify that the exemption for the unmarried surviving spouse of a deceased disabled veteran applies in the case of a disabled veteran who died as a result of a service-connected injury.

Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 205.5 of the Revenue and Taxation Code
2 is amended to read:

3 205.5. (a) Property that constitutes the principal place of
4 residence of a veteran, that is owned by the veteran, the veteran's
5 spouse, or the veteran and the veteran's spouse jointly, is exempted
6 from taxation ~~on that part of the full value of the residence that~~
7 ~~does not exceed one hundred thousand dollars (\$100,000), as~~
8 ~~adjusted for the relevant assessment year as provided in subdivision~~
9 ~~(h), if the veteran is blind in both eyes, has lost the use of two or~~
10 ~~more limbs, or if the veteran is totally disabled as a result of injury~~
11 ~~or disease incurred in military service. The one hundred thousand~~
12 ~~dollar (\$100,000) exemption shall be one hundred fifty thousand~~
13 ~~dollars (\$150,000), as adjusted for the relevant assessment year as~~
14 ~~provided in subdivision (h), in the case of an eligible veteran whose~~
15 ~~household income does not exceed the amount of forty thousand~~
16 ~~dollars (\$40,000), as adjusted for the relevant assessment year as~~
17 ~~provided in subdivision (g).~~

18 (b) (1) For purposes of this section, "veteran" means either of
19 the following:

20 (A) A veteran as specified in subdivision (o) of Section 3 of
21 Article XIII of the California Constitution without regard to any
22 limitation contained therein on the value of property owned by the
23 veteran or the veteran's spouse.

24 (B) Any person who would qualify as a veteran pursuant to
25 paragraph (1) except that he or she has, as a result of a
26 service-connected injury or disease, died while on active duty in

1 military service. The United States Department of Veterans Affairs
2 shall determine whether an injury or disease is service connected.

3 (2) For purposes of this section, property is deemed to be the
4 principal place of residence of a veteran, disabled as described in
5 subdivision (a), who is confined to a hospital or other care facility,
6 if that property would be that veteran's principal place of residence
7 were it not for his or her confinement to a hospital or other care
8 facility, provided that the residence is not rented or leased to a
9 third party. A family member that resides at the residence is not
10 considered to be a third party.

11 (c) (1) Property that is owned by, and that constitutes the
12 principal place of residence of, the unmarried surviving spouse of
13 a deceased veteran is exempt from taxation ~~on that part of the full~~
14 ~~value of the residence that does not exceed one hundred thousand~~
15 ~~dollars (\$100,000), as adjusted for the relevant assessment year as~~
16 ~~provided in subdivision (h);~~ in the case of a veteran who was blind
17 in both eyes, had lost the use of two or more limbs, or was totally
18 disabled ~~provided that, if~~ either of the following conditions is met:

19 (A) The deceased veteran during his or her lifetime qualified
20 in all respects for the exemption or would have qualified for the
21 exemption under the laws effective on January 1, 1977, except
22 that the veteran died prior to January 1, 1977.

23 (B) The veteran died from ~~a~~ *an injury or* disease that was service
24 connected as determined by the United States Department of
25 Veterans Affairs.

26 ~~The one hundred thousand dollar (\$100,000) exemption shall~~
27 ~~be one hundred fifty thousand dollars (\$150,000), as adjusted for~~
28 ~~the relevant assessment year as provided in subdivision (h), in the~~
29 ~~case of an eligible unmarried surviving spouse whose household~~
30 ~~income does not exceed the amount of forty thousand dollars~~
31 ~~(\$40,000), as adjusted for the relevant assessment year as provided~~
32 ~~in subdivision (g):~~

33 (2) (A) Commencing with the 1994–95 fiscal year *through the*
34 *2008–09 fiscal year, inclusive*, property that is owned by, and that
35 constitutes the principal place of residence of, the unmarried
36 surviving spouse of a veteran as described in paragraph (2) of
37 subdivision (b) is exempt from taxation on that part of the full
38 value of the residence that does not exceed one hundred thousand
39 dollars (\$100,000), as adjusted for the relevant assessment year as
40 provided in subdivision (h). The one hundred thousand dollar

1 (\$100,000) exemption shall be one hundred fifty thousand dollars
2 (\$150,000), as adjusted for the relevant assessment year as provided
3 in subdivision (h), in the case of an eligible unmarried surviving
4 spouse whose household income does not exceed the amount of
5 forty thousand dollars (\$40,000), as adjusted for the relevant
6 assessment year as provided in subdivision (g).

7 *(B) Commencing with the 2009–10 fiscal year, property that is*
8 *owned by, and that constitutes the principal place of residence of*
9 *the unmarried surviving spouse of a veteran described in*
10 *subparagraph (B) of paragraph (1) of subdivision (b) is exempt*
11 *from taxation.*

12 (d) As used in this section, “property that is owned by a veteran”
13 or “property that is owned by the veteran’s unmarried surviving
14 spouse” includes all of the following:

15 (1) Property owned by the veteran with the veteran’s spouse as
16 a joint tenancy, tenancy in common, or as community property.

17 (2) Property owned by the veteran or the veteran’s spouse as
18 separate property.

19 (3) Property owned with one or more other persons to the extent
20 of the interest owned by the veteran, the veteran’s spouse, or both
21 the veteran and the veteran’s spouse.

22 (4) Property owned by the veteran’s unmarried surviving spouse
23 with one or more other persons to the extent of the interest owned
24 by the veteran’s unmarried surviving spouse.

25 (5) So much of the property of a corporation as constitutes the
26 principal place of residence of a veteran or a veteran’s unmarried
27 surviving spouse when the veteran, or the veteran’s spouse, or the
28 veteran’s unmarried surviving spouse is a shareholder of the
29 corporation and the rights of shareholding entitle one to the
30 possession of property, legal title to which is owned by the
31 corporation. The exemption provided by this paragraph shall be
32 shown on the local roll and shall reduce the full value of the
33 corporate property. Notwithstanding any provision of law or
34 articles of incorporation or bylaws of a corporation described in
35 this paragraph, any reduction of property taxes paid by the
36 corporation shall reflect an equal reduction in any charges by the
37 corporation to the person who, by reason of qualifying for the
38 exemption, made possible the reduction for the corporation.

39 (e) For purposes of this section, being blind in both eyes means
40 having a visual acuity of 5/200 or less, or concentric contraction

1 of the visual field to 5 degrees or less; losing the use of a limb
2 means that the limb has been amputated or its use has been lost
3 by reason of ankylosis, progressive muscular dystrophies, or
4 paralysis; and being totally disabled means that the United States
5 Department of Veterans Affairs or the military service from which
6 the veteran was discharged has rated the disability at 100 percent
7 or has rated the disability compensation at 100 percent by reason
8 of being unable to secure or follow a substantially gainful
9 occupation.

10 (f) An exemption granted to a claimant in accordance with the
11 provisions of this section shall be in lieu of the veteran's exemption
12 provided by subdivisions (o), (p), (q), and (r) of Section 3 of Article
13 XIII of the California Constitution and any other real property tax
14 exemption to which the claimant may be entitled. No other real
15 property tax exemption may be granted to any other person with
16 respect to the same residence for which an exemption has been
17 granted under the provisions of this section; provided, that if two
18 or more veterans qualified pursuant to this section coown a property
19 in which they reside, each is entitled to the exemption to the extent
20 of his or her interest.

21 ~~(g) Commencing on January 1, 2002, and for each assessment~~
22 ~~year thereafter, the household income limit shall be compounded~~
23 ~~annually by an inflation factor that is the annual percentage change,~~
24 ~~measured from February to February of the two previous~~
25 ~~assessment years, rounded to the nearest one-thousandth of 1~~
26 ~~percent, in the California Consumer Price Index for all items, as~~
27 ~~determined by the California Department of Industrial Relations.~~

28 ~~(h) Commencing on January 1, 2006, and for each assessment~~
29 ~~year thereafter, the exemption amounts set forth in subdivisions~~
30 ~~(a) and (c) shall be compounded annually by an inflation factor~~
31 ~~that is the annual percentage change, measured from February to~~
32 ~~February of the two previous assessment years, rounded to the~~
33 ~~nearest one-thousandth of 1 percent, in the California Consumer~~
34 ~~Price Index for all items, as determined by the California~~
35 ~~Department of Industrial Relations.~~

36 *(g) The amendments made to this section by the act that*
37 *amended this subdivision apply for property tax lien dates for the*
38 *2009–10 fiscal year and for each fiscal year thereafter.*

39 SEC. 2. Notwithstanding Section 2229 of the Revenue and
40 Taxation Code, no appropriation is made by this act and the state

- 1 shall not reimburse any local agency for any property tax revenues
- 2 lost by it pursuant to this act.
- 3 SEC. 3. This act provides for a tax levy within the meaning of
- 4 Article IV of the Constitution and shall go into immediate effect.

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